

CITY OF DERIDDER
ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT
SEPTEMBER 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/13/05

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John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Gerald Johnson, Mayor
and Members of the City Council
City of DeRidder, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the City of DeRidder, Louisiana, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of DeRidder, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of DeRidder, Louisiana, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2005 on my consideration of the City of DeRidder, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The budgetary comparison information on pages 33 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The City of DeRidder, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The Honorable Gerald Johnson, Mayor
and Members of the City Council

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeRidder, Louisiana, basic financial statements. The budgetary comparison information, combining and individual nonmajor fund financial statements, schedule of per diem paid to board members and prior year audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of DeRidder, Louisiana. The combining and individual nonmajor fund financial statements, budgetary comparison information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of per diem paid to board members and prior year audit findings have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Handwritten signature of John A. Windham, CPA in cursive script.

DeRidder, Louisiana
January 28, 2005

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,651,303	\$ 181,614	\$ 3,832,917
Investments	13,000	135,000	148,000
Receivables:			
LCDBG grant	167,784	-	167,784
Franchise taxes	102,092	-	102,092
Accounts	-	196,852	196,852
Special assessments	21,689	38,563	60,252
Accrued interest	20,739	1,554	22,293
Prepaid insurance	53,473	47,810	101,283
Due from other funds	237,902	70,594	308,496
Restricted cash and cash investments	-	2,231,666	2,231,666
Capital assets, not being depreciated	996,388	57,221	1,053,609
Capital assets, being depreciated - net	3,285,002	17,943,526	21,228,528
Total assets	<u>\$ 8,549,372</u>	<u>\$ 20,904,400</u>	<u>\$ 29,453,772</u>
LIABILITIES			
Accounts payable	\$ 215,077	\$ 119,660	\$ 334,737
Payroll taxes payable	72,308	31,736	104,044
Contracts payable	326,852	23,300	350,152
Due to other funds	147,895	160,601	308,496
Accrued interest payable	8,102	4,533	12,635
Customer deposits	-	139,881	139,881
Deferred revenues	-	37,576	37,576
Long term liabilities:			
Due within one year	240,000	18,236	258,236
Due in more than one year	1,253,337	291,246	1,544,583
Total liabilities	<u>\$ 2,263,571</u>	<u>\$ 826,769</u>	<u>\$ 3,090,340</u>
NET ASSETS			
Invested in capital assets - net of related debt	\$ 3,813,407	\$ 18,000,747	\$ 21,814,154
Restricted for:			
Contracts payable	-	3,507	3,507
Perpetual care	391,117	-	391,117
Debt service	98,879	-	98,879
Depreciation and contingencies	-	1,955,667	1,955,667
Customer deposits	-	32,563	32,563
Unrestricted	1,982,398	85,147	2,067,545
Total net assets	<u>\$ 6,285,801</u>	<u>\$ 20,077,631</u>	<u>\$ 26,363,432</u>
Total liabilities and net assets	<u>\$ 8,549,372</u>	<u>\$ 20,904,400</u>	<u>\$ 29,453,772</u>

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana

Statement B

Statement of Activities
For the Year Ended September 30, 2004

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating and Contributions	Grants Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Program Activities							
Governmental activities:							
General government and administration	\$ 1,596,950	\$ 215,823	\$ 2,500	\$ 5,696	\$ (1,372,931)	\$ -	\$ (1,372,931)
Public safety	2,305,036	7,343	81,138	103,012	(2,113,543)	-	(2,113,543)
Public works	1,899,049	-	-	692,132	(1,206,917)	-	(1,206,917)
Recreation	92,166	2,082	-	24,659	(65,425)	-	(65,425)
Interest on long term debt	57,136	-	-	-	(57,136)	-	(57,136)
Unallocated depreciation*	37,788	-	-	-	(37,788)	-	(37,788)
Total governmental activities	\$ 5,988,125	\$ 225,248	\$ 83,638	\$ 825,499	\$ (4,853,740)	\$ -	\$ (4,853,740)
Business-type activities:							
Water and sewer	\$ 2,400,348	\$ 1,958,458	\$ -	\$ 226,073	\$ -	\$ (215,817)	\$ (215,817)
Total government	\$ 8,388,473	\$ 2,183,706	\$ 83,638	\$ 1,051,572	\$ (4,853,740)	\$ (215,817)	\$ (5,069,557)
General revenues:							
Taxes:							
Ad valorem taxes					464,907	-	464,907
Sewer assessments					-	15,798	15,798
Sales taxes					4,145,797	-	4,145,797
Insurance premium tax					26,380	-	26,380
Chain store tax					6,200	-	6,200
Franchise tax					424,221	-	424,221
Occupational licenses and permits					436,800	-	436,800
Housing assistance					130,258	-	130,258
Investment earnings					41,851	14,742	56,593
Bond proceeds					-	500,000	500,000
Gain on sale of assets					13,425	-	13,425
Rental Income					38,450	-	38,450
Miscellaneous					31,389	-	31,389
Transfers in					2,681,598	226,841	2,908,439
Transfers out					(2,624,013)	(284,426)	(2,908,439)
Total general revenues and transfers					\$ 5,817,263	\$ 472,955	\$ 6,290,218
Change in net assets					963,523	257,138	1,220,661
Net assets at beginning of year					5,322,278	19,820,493	25,142,771
Net assets at end of year					\$ 6,285,801	\$ 20,077,631	\$ 26,363,432

* Unallocated depreciation excludes
direct depreciation expenses of the
City's various programs

The accompanying notes are an integral part of the statement.

City of DeRidder, Louisiana

Statement C

Balance Sheet
Governmental Funds
September 30, 2004

	Major Fund		Other Governmental	Total Governmental
	General	Special Revenue Fund	Funds	Funds
ASSETS				
Cash and cash equivalents	\$ 456,723	\$ 2,147,575	\$ 879,244	\$ 3,483,542
Investments	13,000	-	-	13,000
Receivables				
LCDBG grant	-	-	167,784	167,784
Accrued interest	-	-	20,739	20,739
Special assessments	-	-	21,689	21,689
Franchise taxes	102,092	-	-	102,092
Prepaid insurance	33,376	20,097	-	53,473
Due from other funds	1,634	52,325	183,943	237,902
Total assets	<u>\$ 606,825</u>	<u>\$ 2,219,997</u>	<u>\$ 1,273,399</u>	<u>\$ 4,100,221</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 70,926	\$ 130,011	\$ 4,294	\$ 205,231
Payroll taxes payable	50,759	21,549	-	72,308
Contracts payable	-	-	326,852	326,852
Due to other funds	120,584	-	27,311	147,895
Total liabilities	<u>\$ 242,269</u>	<u>\$ 151,560</u>	<u>\$ 358,457</u>	<u>\$ 752,286</u>
Fund Balances:				
Reserved for:				
Debt service	\$ -	\$ -	\$ 98,879	\$ 98,879
Perpetual care	391,117	-	-	391,117
Unreserved:				
Designated for subsequent years' expenditures reported in:				
Sales tax fund	-	200,000	-	200,000
Undesignated, reported in:				
General fund	(26,561)	-	-	(26,561)
Special revenue fund	-	1,868,437	88,082	1,956,519
Capital project funds	-	-	727,981	727,981
Total fund balances	<u>\$ 364,556</u>	<u>\$ 2,068,437</u>	<u>\$ 914,942</u>	<u>\$ 3,347,935</u>
Total liabilities and fund balances	<u>\$ 606,825</u>	<u>\$ 2,219,997</u>	<u>\$ 1,273,399</u>	<u>\$ 4,100,221</u>

The accompanying notes are an integral part of this statement.

Reconciliation of the Governmental Funds Balance Sheet
to Statement of Net Assets
September 30, 2004

Total fund balance - total governmental funds	\$ 3,347,935
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	3,813,407
Internal service funds are used to charge the costs of certain activities, such as insurance, automotive equipment, and plant material and trees, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	157,915
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(8,102)
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net assets in order to show those assets net of related debt in the net assets section of the government wide statement of net assets	467,983
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Due within one year	\$ (240,000)
Due in more than one year	<u>(1,253,337)</u>
	<u>(1,493,337)</u>
Net assets of governmental activities	<u>\$ 6,285,801</u>

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana

Statement E

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2004

	General Fund	Major Fund Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Ad valorem	\$ 464,907	\$ -	\$ -	\$ 464,907
Sales tax	-	4,145,797	-	4,145,797
Insurance premium tax	26,380	-	-	26,380
Chain store tax	6,200	-	-	6,200
Franchise	424,221	-	-	424,221
Intergovernmental:				
Federal grants:				
Equipment grant	3,598	-	-	3,598
2002 LCDBG grant	-	-	192,132	192,132
2003 LCDBG grant	-	-	500,000	500,000
State grants	126,573	-	-	126,573
Local grants	81,138	-	5,696	86,834
Housing assistance	-	-	130,258	130,258
Occupational licenses and permits	436,800	-	-	436,800
Fees and charges for services	27,225	-	-	27,225
Investment income	2,586	23,667	7,702	33,955
Rental income	38,450	-	-	38,450
Other revenues	18,296	13,093	-	31,389
Total revenues	<u>\$ 1,656,374</u>	<u>\$ 4,182,557</u>	<u>\$ 835,788</u>	<u>\$ 6,674,719</u>

(Continued)

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana

Statement E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2004

	General Fund	Major Fund Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Expenditures				
Current operating:				
General government	\$ 588,723	\$ 680,592	\$ 126,091	\$ 1,395,406
Public safety	2,122,393	-	-	2,122,393
Public works	-	870,517	977,376	1,847,893
Recreation	76,133	-	-	76,133
Debt service:				
Principal	30,000	-	205,000	235,000
Interest	8,234	-	40,800	49,034
Capital outlay	434,189	74,377	-	508,566
Total expenditures	<u>\$ 3,259,672</u>	<u>\$ 1,625,486</u>	<u>\$ 1,349,267</u>	<u>\$ 6,234,425</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,603,298)</u>	<u>\$ 2,557,071</u>	<u>\$ (513,479)</u>	<u>\$ 440,294</u>
Other financing sources (uses)				
Transfer in	\$ 1,624,984	\$ 187,675	\$ 868,934	\$ 2,681,593
Transfer out	(240,808)	(2,205,525)	(166,558)	(2,612,891)
Gain on sale of assets	9,200	4,225	-	13,425
Total other financing sources (uses)	<u>\$ 1,393,376</u>	<u>\$ (2,013,625)</u>	<u>\$ 702,376</u>	<u>\$ 82,127</u>
Net change in fund balance	<u>\$ (209,922)</u>	<u>\$ 543,446</u>	<u>\$ 188,897</u>	<u>\$ 522,421</u>
Fund balances at beginning of year	<u>574,478</u>	<u>1,524,991</u>	<u>726,045</u>	<u>2,825,514</u>
Fund balances at end of year	<u>\$ 364,556</u>	<u>\$ 2,068,437</u>	<u>\$ 914,942</u>	<u>\$ 3,347,935</u>

(Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to the
Statement of Activities

For the Year Ended September 30, 2004

Net change in fund balances - total governmental funds	\$	522,421
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		
		508,566
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		
		(315,657)
Accrued interest on long term debt is not shown in the governmental funds.		
		(8,102)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of bond repayments.		
		235,000
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The net income of the internal service funds is reported with governmental activities		
		<u>21,295</u>
Change in net assets of governmental activities	\$	<u>963,523</u>

The accompanying notes are an integral part of this statement.

Statement of Net Assets
Proprietary Fund
September 30, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ 181,614	\$ 167,761
Investments	135,000	-
Receivables:		
Accounts	196,852	-
Special assessments	38,563	-
Accrued interest	1,554	-
Prepaid insurance	47,810	-
Due from other funds	70,594	-
Total current assets	<u>\$ 671,987</u>	<u>\$ 167,761</u>
Noncurrent Assets		
Restricted cash and cash investments	\$ 2,231,666	\$ -
Capital assets not being depreciated	525,204	-
Capital assets being depreciated - net	17,943,526	-
Total noncurrent assets	<u>\$ 20,700,396</u>	<u>\$ -</u>
Total assets	<u>\$ 21,372,383</u>	<u>\$ 167,761</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 119,660	\$ 9,846
Payroll taxes payable	31,736	-
Accrued interest payable	4,533	-
Due to other funds	160,601	-
Current portion of note payable	18,236	-
Total current liabilities	<u>\$ 334,766</u>	<u>\$ 9,846</u>
Liabilities payable from restricted assets		
Contracts payable	\$ 23,300	\$ -
Customer deposits	139,881	-
Total liabilities payable from restricted assets	<u>\$ 163,181</u>	<u>\$ -</u>
Deferred revenues	<u>\$ 37,576</u>	<u>\$ -</u>
Noncurrent Liabilities		
Bonds, mortgage notes and leases payable	\$ 91,181	\$ -
Compensated absences	200,065	-
Total noncurrent liabilities	<u>\$ 291,246</u>	<u>\$ -</u>
Total liabilities	<u>\$ 826,769</u>	<u>\$ 9,846</u>

(Continued)

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana

Statement G

Statement of Net Assets
 Proprietary Fund
 September 30, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Net Assets		
Invested in capital assets	\$ 18,468,730	\$ -
Restricted for:		
Contracts payable	\$ 3,507	\$ -
Depreciation and contingencies	1,955,667	-
Customers deposits	32,563	-
Unrestricted	85,147	157,915
Total net assets	<u>\$ 20,545,614</u>	<u>\$ 157,915</u>
Total liabilities and net assets	<u>\$ 21,372,383</u>	<u>\$ 167,761</u> (Concluded)

The accompanying notes are an integral part of this statement.

Reconciliation of the Proprietary Funds Statement of Net Assets
to the Statement of Net Assets
For the Year Ended September 30, 2004

Amounts reported for business-type activities in the
statement of net assets are different because:

Total net assets for proprietary fund statement of net assets	\$ 20,545,614
Capital assets reported in the proprietary fund but financed with general obligation debt have been transferred to governmental activities in the government wide statement of net assets in order to show those assets net of related debt in the net asset section of the government side statement of net assets	<u>(467,983)</u>
Net assets of business type activities	<u>\$ 20,077,631</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Fund
 For the Year Ended September 30, 2004

	Business-Type Activities - Enterprise Fund Water and Sewer	Governmental Activities Internal Service Funds
Operating revenues		
Charges for services	\$ 1,958,458	\$ 198,023
Operating expenses		
Personal services	\$ 891,398	\$ -
Supplies	241,827	-
Contractual services	462,508	173,507
Depreciation	798,668	-
Total operating expenses	\$ 2,394,401	\$ 173,507
Income (loss) from operations	\$ (435,943)	\$ 24,516
Nonoperating revenues (expenses)		
Sewer assessments	\$ 15,798	\$ -
Interest income	14,742	7,896
Interest expense	(5,947)	-
Bond proceeds	500,000	-
Total nonoperating revenues (expenses)	\$ 524,593	\$ 7,896
Income (loss) before transfers	\$ 88,650	\$ 32,412
Capital contributions	226,073	-
Transfers in	226,841	5
Transfers out	(284,426)	(11,122)
Change in net assets	\$ 257,138	\$ 21,295
Net assets at beginning of year	20,288,476	136,620
Net assets at end of year	\$ 20,545,614	\$ 157,915

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2004

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer	
Cash flows from operating activities:		
Cash received from customers	\$ 1,875,194	\$ 198,023
Cash payments to suppliers for goods and services	(565,469)	(185,436)
Cash payments for employee services and employee related fringe benefits	(899,697)	-
Net cash provided (used) by operating activities	<u>\$ 410,028</u>	<u>\$ 12,587</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 226,841	\$ 5
Transfers out to other funds	(284,426)	(11,122)
Due to other funds	156,644	-
Due from other funds	(5)	-
Net cash provided for noncapital financing activities	<u>\$ 99,054</u>	<u>\$ (11,117)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ (847,257)	\$ -
Sewer assessments	53,374	-
Interest on sewer assessments	2,393	-
Interest paid on debt	(5,947)	-
Principal paid on certificates	(18,236)	-
Contributed capital received	226,073	-
Bond proceeds	500,000	-
Net cash used for capital and related financing activities	<u>\$ (89,600)</u>	<u>\$ -</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2004

	Business-Type Activities - Enterprise Fund	Governmental Activities Internal Service Fund
	Water and Sewer	
Cash flows from investing activities:		
Interest on cash management activities:	\$ 11,900	\$ 7,896
Net decrease in cash and cash equivalents	\$ 431,382	\$ 9,366
Cash and cash equivalents, beginning of year	2,116,898	158,395
Cash and cash equivalents, end of year	\$ 2,548,280	\$ 167,761
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (435,943)	\$ 24,516
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	\$ 798,668	\$ -
Increase in accounts receivable	(88,259)	-
(Decrease)Increase in accounts payable	91,757	(11,929)
Decrease in employee benefits payable	(6,871)	-
Increase in contracts payable	1,200	-
Increase in customer deposits	4,995	-
Decrease in compensated absences	(1,338)	-
Decrease in prepaid insurance	45,819	-
Total adjustments	\$ 845,971	\$ (11,929)
Net cash provided (used) by operating activities:	\$ 410,028	\$ 12,587 (Concluded)

The accompanying notes are an integral part of this statement.

City of DeRidder, Louisiana
Notes to the Financial Statements
As of and for the Year Ended September 30, 2004

INTRODUCTION

The City of DeRidder was incorporated under the provisions of the Lawrason Act. The City operates under a Mayor-City Council form of government under a home rule charter.

The accounting and reporting policies of the City of DeRidder conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The City is located within Beauregard Parish in the southwestern part of the State of Louisiana and is comprised of approximately 9,700 residents. The governing board is composed of seven elected council members that are compensated for regular and special board meetings. There are approximately ninety-six employees who provide various services to the residents. The City maintains approximately 74 miles of roadways within the city limits.

The City maintains various funds that provide services and benefits to the residents. The general fund provides police and fire protection, and culture and recreational activities. The sales tax fund provides public works of highway and street maintenance and solid waste collection and disposal. The utility fund provides water and sewer services to approximately 4,100 residents. Other funds are established as needed for specific projects undertaken by the City.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Blended Components Units

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantially the same, or the organization must provide services entirely to the municipality and blended with the appropriate municipality funds:

Section - 8 Existing Housing

Included in the special revenue funds are the financial statements of Section 8 Existing Housing that has a fiscal year ending June 30, 2004. Section 8 Existing Housing is a component unit of the City government, and a separate audit of its operations is performed. Although the City does provide facilities and some of the financing, no control is exercised over the operations. In addition to the above organization, the Mayor, with the approval of the council, appoints board members to the DeRidder Housing Authority Board. The financial statements of Section 8 Existing Housing may be obtained from the City of DeRidder, 200 S. Jefferson St., DeRidder, LA 70634.

Discretely Presented Component Units

Component units that are legally separate from the municipality, but are financially accountable to the municipality, or whose relationship with the municipality are such that exclusion would cause the municipality's financial statements to be misleading or incomplete are discretely presented.

The City of DeRidder had no discretely presented component units as of September 30, 2004.

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund

The Sales Tax Fund accounts for sales tax revenues that are legally restricted to expenditures for specific purposes.

The municipality reports the following major proprietary fund:

Notes to the Financial Statements (Continued)

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the government reports to following fund types:

Internal service funds account for services provided to other departments and agencies of the municipality, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water and sewer services to residents comprise the operating revenue of the City's enterprise fund. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Deposits and Investments

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on that property. Due to this, the majority, if not all property taxes are collected, therefore no allowance account for uncollectibles has been established. Water and sewer charges have customer deposits that have been collected in advance therefore the majority of all water and sewer billing is collected or taken out of the customer's deposit, any allowance account would be immaterial, therefore one has not been established.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage	Expiration Date
Taxes due for:			Renewed
General corporate tax	7.23	7.23	Annually
Police/Fire capital improvements	2.60	2.60	9-30-2006

The following are the principal taxpayers and related property tax revenue for the municipality:

Taxpayer	Type of Business	Assessed Valuation	% of Total Assessed Valuation	Ad Valorem Tax Revenue for Municipality
Meadwestvaco	Manufacturer	\$ 3,526,586	7.45%	\$ 34,835
First National Bank	Banking	2,689,198	5.68%	26,435
Total		\$ 6,215,784	13.13%	\$ 61,270

Sales Taxes

The City of DeRidder receives a 1% sales and use tax that is dedicated to constructing, paving, resurfacing and improving streets, sidewalks and bridges; constructing and improving drains and subsurface drainage; and for the purpose of defraying the maintenance expenses thereof; constructing, acquiring and improving public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds. This tax is for an indefinite period.

An additional 1% sales tax, for a twenty year period ending, is dedicated and used for the following purposes:

41% for constructing, improving, repairing, operating and maintaining public buildings, public streets and sidewalks; drains and drainage facilities; garbage and solid waste collection and disposal facilities; paying the cost of other public services, including grass cutting; and paying the cost of improving or extending city utilities to encourage and induce the location of or additions to industrial enterprises having economic impact upon the city;

55% to pay the cost of providing public safety and fire and police protection services and improving, repairing, operating and maintaining sewers and sewerage collection and disposal works, including the acquisition of furnishings and equipment for any of said purposes;

4% to pay the cost of constructing, improving, repairing, operating and maintaining public parks and recreational facilities and purchasing and acquiring the necessary land, equipment and furnishing thereof. In addition, it provides funds for the retirement of all public improvement bonds.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Restricted Assets

Certain resources in the enterprise fund have been set aside for the repair, maintenance and replacement of the water and sewer systems of the City. These resources are classified as restricted assets because their use is limited.

A payment of \$100 per month is deposited into a State of Louisiana reimbursement account. The account was established to reimburse the state their cost associated with the widening of Highway 171 in prior years. This account is restricted and may be called by the state at their discretion.

Cash collected from utility fund customers as deposits against future utility bills are classified as restricted assets and are held by the City in custodial cash accounts entitled "Customer Deposits".

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets.

According to GASB 34 the City of DeRidder was not required to retroactively report infrastructure assets in its financial statements, therefore, these assets have not been reported in the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$54,981. No interest was included as part of the cost of capital assets under construction in connection with the City's construction projects.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	40-50 years
Land improvements	20-50 years
Buildings and building improvements	20-50 years
Furniture and fixtures	5-15 years
Vehicles	5-10 years
Equipment	3-15 years

H. Compensated Absences

The City of DeRidder's recognition and measurement criterion for compensated absences follows:

On July 1, 1996, the City enacted new legislation concerning sick leave pay and unpaid vacation. Full time employees earn vacation leave at varying rates depending upon length of service, which also may be accumulated up to a maximum of 160 days. Upon death, retirement, or separation of service from the City, an employee may receive their entire accumulated sick leave pay if he chooses to draw it out over regular pay periods. If the employee chooses to receive the pay in a lump sum he will receive 50% of the accumulated pay. In addition, upon retirement, unused sick leave is used in the retirement benefit computation as earned service.

Notes to the Financial Statements (Continued)

On March 28, 1994, the sick leave policy was amended to reflect that each employee of the City would receive 4 hours of sick leave per pay period (13 days per year). As an exception, firemen working 53 hours per week will receive 10 hours of sick leave per month. Upon termination (voluntary or involuntary) an employee will receive full pay for accumulated sick leave not to exceed a 60-day limit (480 hours) with payment made by an installment plan based on the hourly rate at retirement.

No sick leave credit hours accumulated under the old sick leave policy will be lost. Upon retirement or termination, remuneration will be made to those employees who have accrued sick leave under the old policy. This payment will be made in installments and capped at the hourly rate as of December 31, 1993.

I. Long-Term Obligations

In the government-wide financial statements, and the proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the municipality, which are either unusual in nature or infrequent in occurrence.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION The municipality uses the following budget practices:

1. The Director of Finance submits to the Mayor and City Council a proposed operating budget no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. For the fiscal year beginning October 1, 2003 and ending September 30, 2004 the budget was submitted to the City Council on August 25, 2003 and the public hearing was called for. After the public hearing was held, the budget was adopted by ordinance of the City Council.
2. Budgetary appropriations lapse at the end of each fiscal year.

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

3. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council.
4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance. The original budget is amended as necessary and all amendments are reflected in the budget comparisons in the financial statements.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual funds had actual expenditures over budgeted appropriations for the year ended September 30, 2004:

<u>Fund</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General fund	\$ 3,064,216	\$ 3,219,766	\$ 3,259,672	\$ 39,906
Sales tax fund	1,661,515	1,531,415	1,625,486	94,071

DEFICITS

The following individual funds have deficits in unreserved fund balance (net assets) at September 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
General fund	\$ 26,561

3. CASH AND CASH EQUIVALENTS

At September 30, 2004, the municipality has cash and cash equivalents (book balances) totaling \$6,064,583 as follows:

Demand deposits	\$ 108,331
Interest bearing demand deposits	169,124
Money market investment accounts	4,382,969
Louisiana Asset Management Pool (LAMP)	1,403,809
Petty cash	350
Total	<u>\$ 6,064,583</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At September 30, 2004, the municipality has \$4,711,310 in deposits (collected bank balances). These deposits are secured from risk by \$509,062 of federal deposit insurance and \$4,202,248 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

The City also had invested \$1,403,809 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP as of September

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

30, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than three months, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

4. INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the municipality or its agent in the municipality's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the municipality's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the municipality's name

At September 30, 2004, the City's investment balances were as follows:

Type of Investment	Category			Carrying Amount		Total Carrying Amount
	1	2	3	Fair Value	Cost	
Certificates of Deposit	\$ -	\$ -	\$ 148,000	\$ 148,000	\$ 148,000	\$ 148,000

5. RECEIVABLES

The receivables of \$549,273 at September 30, 2004, are as follows:

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

<u>Class of receivable</u>	<u>General Fund</u>	<u>Capital Project Funds</u>	<u>Debt Service Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes:					
Franchise	\$ 102,092	\$ -	\$ -	\$ -	\$ 102,092
Accounts	-	-	-	196,852	196,852
Accrued interest	-	-	20,739	1,554	22,293
Assessments	-	-	21,689	38,563	60,252
LCDBG grant	-	167,784	-	-	167,784
Total	<u>\$ 102,092</u>	<u>\$ 167,784</u>	<u>\$ 42,428</u>	<u>\$ 236,969</u>	<u>\$ 549,273</u>

6. INTERFUND RECEIVABLES/PAYABLES

The following due to/from balances exist due to payments made out of one fund that relate to the other fund. The balance in each respective due to/from account is expected to be paid within the current year.

	<u>Due from</u>	<u>Due to</u>
General fund	\$ 1,634	\$ 120,584
Proprietary fund	70,594	160,601
Capital project fund	183,943	-
Special revenue funds	52,325	-
Debt service funds	-	27,311
Total	<u>\$ 308,496</u>	<u>\$ 308,496</u>

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2004, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 391,985	\$ 136,420	\$ -	\$ 528,405
Capital assets being depreciated				
Buildings	2,808,575	-	-	2,808,575
Improvements other than buildings	649,062	153,543	-	802,605
Furniture and fixtures	-	1,092	-	1,092
Machinery and equipment	1,026,800	120,659	26,264	1,121,195
Vehicles	1,245,511	103,738	84,578	1,264,671
Total capital assets being depreciated	<u>5,729,948</u>	<u>379,032</u>	<u>110,842</u>	<u>5,998,138</u>
Less accumulated depreciation for:				
Buildings	1,033,919	68,921	-	1,102,840
Improvements other than buildings	125,838	28,843	-	154,681
Furniture and fixtures	-	127	-	127
Machinery and equipment	429,448	119,768	5,705	543,511
Vehicles	887,270	97,998	73,291	911,977
Total accumulated depreciation	<u>2,476,475</u>	<u>315,657</u>	<u>78,996</u>	<u>2,713,136</u>
Total capital assets being depreciated, net	<u>\$ 3,253,473</u>	<u>\$ 63,375</u>	<u>\$ 31,846</u>	<u>\$ 3,285,002</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 57,221	\$ -	\$ -	\$ 57,221
Construction in progress	22,685	467,983	22,685	467,983
Total capital assets not being depreciated	79,906	467,983	22,685	525,204
Capital assets being depreciated				
Utility plant and improvements	30,081,035	401,959	-	30,482,994
Furniture and equipment	30,168	-	-	30,168
Vehicles	183,120	-	-	183,120
Total capital assets being depreciated	30,294,323	401,959	-	30,696,282
Less accumulated depreciation for:				
Utility plant and improvements	11,810,091	774,568	-	12,584,659
Furniture and equipment	20,864	3,239	-	24,103
Vehicles	123,133	20,861	-	143,994
Total accumulated depreciation	11,954,088	798,668	-	12,752,756
Total business-type assets being depreciated, net	\$ 18,340,235	\$ (396,709)	\$ -	\$ 17,943,526

Depreciation expense of \$315,657 for the year ended September 30, 2004, was charged to the following governmental functions:

Public works	\$ 51,156
Public safety	182,643
General administration	28,037
Recreation	16,033
Unallocated	37,788
Total	<u>\$ 315,657</u>

8. CONSTRUCTION COMMITMENTS

The municipality has active construction projects as of September 30, 2004. The City of DeRidder has a water improvement project as of September 30, 2004; the project is funded through a grant from the LCDBG (Louisiana Community Development Block Grant) program. The grant funds are being used to upgrade the current water distribution system. The City also has a waterline replacement project funded by a \$500,000 water improvement bond issue. At year end the commitments with contractors were as follows:

Project	Spent to Date
LCDBG Water Improvement Project	\$ 688,026
Waterline Replacement Project	467,983
Total	<u>\$ 1,156,009</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

9. INTERFUND TRANSFERS

	Transfer in	Transfer out
Capital project fund	\$ 620,126	\$ -
General fund	1,624,984	240,808
Enterprise fund	226,841	284,426
Special revenue fund	187,675	2,205,525
Debt service fund	248,808	166,558
Internal service fund	5	11,122
Total	<u>\$ 2,908,439</u>	<u>\$ 2,908,439</u>

10. ACCOUNTS AND OTHER PAYABLES

The payables of \$788,933 at September 30, 2004, are as follows:

	General Fund	Enterprise Fund	Capital Projects Fund	Special Revenue Funds	Internal Service Funds	Total
Withholdings	\$ 50,759	\$ 31,736	\$ -	\$ 21,549	\$ -	\$ 104,044
Accounts	70,926	119,660	-	134,305	9,846	334,737
Contracts	-	23,300	326,852	-	-	350,152
Total	<u>\$ 121,685</u>	<u>\$ 174,696</u>	<u>\$ 326,852</u>	<u>\$ 155,854</u>	<u>\$ 9,846</u>	<u>\$ 788,933</u>

11. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended September 30, 2004.

	Proprietary Fund		
	Compensated Absences	Certificates of Indebtedness	Total
Long-term obligations at beginning of year	\$ 201,403	\$ 127,653	\$ 329,056
Additions	47,400	-	47,400
Principal payments	-	(18,236)	(18,236)
Compensated absences used	(48,738)	-	(48,738)
Long-term obligations at end of year	<u>\$ 200,065</u>	<u>\$ 109,417</u>	<u>\$ 309,482</u>

	Governmental Funds			
	Compensated Absences	Certificates of Indebtedness	Bonded Debt	Total
Long-term obligations at beginning of year	\$ 438,504	\$ 770,000	\$ -	\$ 1,208,504
Additions	262,504	-	500,000	762,504
Principal payments	-	(190,000)	(45,000)	(235,000)
Compensated absences used	(242,671)	-	-	(242,671)
Long-term obligations at end of year	<u>\$ 458,337</u>	<u>\$ 580,000</u>	<u>\$ 455,000</u>	<u>\$ 1,493,337</u>

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of September 30, 2004:

	Proprietary Fund		
	Compensated Absences	Certificates of Indebtedness	Total
Current portion	\$ -	\$ 18,236	\$ 18,236
Long-term portion	200,065	91,181	291,246
Total	\$ 200,065	\$ 109,417	\$ 309,482

	Governmental Funds			
	Certificates of Indebtedness	Bonded Debt	Compensated Absences	Total
Current portion	\$ 200,000	\$ 40,000	\$ -	\$ 240,000
Long-term portion	380,000	415,000	458,337	1,253,337
Total	\$ 580,000	\$ 455,000	\$ 458,337	\$ 1,493,337

Certificates of Indebtedness are comprised of the following individual issues at September 30, 2004:

Certificates of Indebtedness – Governmental Funds:

\$1,320,000 Series 1997 Certificates of Indebtedness due in annual installments of \$165,000 through August, 2007; interest at the rate of 5.5% \$475,000

\$250,000 Series 2001 Certificates of Indebtedness due in annual installments of \$45,000 to \$55,000 through August 1, 2006; interest at the rate of 4.5% \$105,000

Certificates of Indebtedness – Proprietary Funds:

\$182,362 Series 1999 Sewerage Certificates of Indebtedness due in annual installments of \$18,236 through December 2009; interest at the rate of 5.25% \$109,417

Bonded debt is comprised of the following issue at September 30, 2004:

Bonded Debt – Governmental Funds:

\$500,000 Series 2004 Water Improvement Bonds due in annual installments of \$45,000 to \$55,000 through August 2014; interest at the rate of 3.875% \$455,000

At September 30, 2004, the City of DeRidder accumulated \$98,879 in the debt service fund for future debt requirements. The annual requirements to amortize all bonds, certificates, and capital lease outstanding at September 30, 2004, for the City of DeRidder is as follows:

Year Ending September 30,	Principal Payments	Interest Payments	Total
2005	\$ 258,236	\$ 51,901	\$ 310,137
2006	273,236	39,475	312,711
2007	223,236	26,273	249,509
2008	63,236	15,272	78,508
2009	63,236	13,152	76,388
Thereafter	263,237	30,407	293,644
Total	\$ 1,144,417	\$ 176,480	\$ 1,320,897

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At September 30, 2004, the statutory limit is \$16,569,380, and outstanding bonded debt totals \$455,000.

12. RESERVED RETAINED EARNINGS/FUND BALANCE

The Proprietary Fund – The utility fund had reserved retained earnings available as follows:

Restricted assets:	
Replacement, extension and contingency accounts	\$ 1,955,667
State contract funds	26,807
Customers' deposits	172,444
Total	<u>\$ 2,154,918</u>
Less:	
Liabilities payable from restricted assets:	
Customers deposits	\$ 139,881
Contracts payable	23,300
Total	<u>\$ 163,181</u>
Reserved retained earnings	<u>\$ 1,991,737</u>

The Debt Service Fund – The debt service fund had reserved fund balance available as follows:

Reserved for debt service	<u>\$ 98,879</u>
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The General Fund – The general fund had reserved fund balance available as follows:

Reserved for perpetual care	<u>\$ 391,117</u>
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13. RETIREMENT SYSTEMS

Substantially all employees of the City of DeRidder, are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana and the Fire Fighters Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100% of final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and

City of DeRidder, Louisiana

Notes to the Financial Statements (Continued)

receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 9.50% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and The City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System under Plan B for the years ending September 30, 2004, 2003 and 2002, were \$94,104, \$78,029, and \$55,892, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 21.50% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2004, 2003 and 2002, were \$123,259, \$72,190, and \$63,169, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System of Louisiana

Plan Description. Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

City of DeRidder, Louisiana

Notes to the Financial Statements (Concluded)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095, Baton Rouge, LA, 70804; or by calling (225) 925-4060.

Funding Policy. Plan members are required by state statute to contribute 8.00% of their annual covered salary and the City of DeRidder is required to contribute at an actuarially determined rate. The current rate is 9.00% of annual covered payroll. The contribution requirements of plan members and the City of DeRidder are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of DeRidder's contributions to the System for the years ending September 30, 2004, 2003, and 2002, were \$40,625, \$68,378 and \$35,623 respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTAL INFORMATION

City of DeRidder, Louisiana

Schedule 1

General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Ad valorem	\$ 449,000	\$ 465,300	\$ 464,907	\$ (393)	\$ 464,907
Insurance premium tax	22,000	22,000	26,380	4,380	26,380
Chain store tax	9,500	6,200	6,200	-	6,200
Franchise	391,000	420,100	424,221	4,121	424,221
Intergovernmental:					
Federal grants	3,000	3,000	3,598	598	3,598
State grants	15,000	126,800	126,573	(227)	126,573
Local grants	75,000	81,000	81,138	138	81,138
Occupational licenses and permits	405,500	437,000	436,800	(200)	436,800
Fees and charges for services	37,500	28,700	27,225	(1,475)	27,225
Investment income	10,000	2,600	2,586	(14)	2,586
Rental income	36,000	37,800	38,450	650	38,450
Other revenue	17,500	18,500	18,296	(204)	18,296
Total revenues	\$ 1,471,000	\$ 1,649,000	\$ 1,656,374	\$ 7,374	\$ 1,656,374

(Continued)

City of DeRidder, Louisiana

Schedule 1

General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Expenditures					
Current operating:					
General government	\$ 545,309	\$ 566,509	\$ 588,723	\$ (22,214)	\$ 588,723
Public safety	2,147,858	2,116,508	2,122,393	(5,885)	2,122,393
Recreation	68,649	79,049	76,133	2,916	76,133
Debt service:					
Principal	-	30,000	30,000	-	30,000
Interest	-	8,200	8,234	(34)	8,234
Capital outlay	302,400	419,500	434,189	(14,689)	434,189
Total expenditures	\$ 3,064,216	\$ 3,219,766	\$ 3,259,672	\$ (39,906)	\$ 3,259,672
Excess (deficiency) of revenues over expenditures	\$ (1,593,216)	\$ (1,570,766)	\$ (1,603,298)	\$ (32,532)	\$ (1,603,298)
Other financing sources (uses):					
Transfers in	\$ 1,516,912	\$ 1,625,012	\$ 1,624,984	\$ (28)	\$ 1,624,984
Transfers out	(230,808)	(230,808)	(240,808)	(10,000)	(240,808)
Gain on sale of assets	3,000	9,200	9,200	-	9,200
Total other financing sources (uses)	\$ 1,289,104	\$ 1,403,404	\$ 1,393,376	\$ (10,028)	\$ 1,393,376
Net change in fund balance	\$ (304,112)	\$ (167,362)	\$ (209,922)	\$ (42,560)	\$ (209,922)
Fund balances at beginning of year	574,478	574,478	574,478	-	574,478
Fund balances at end of year	\$ 270,366	\$ 407,116	\$ 364,556	\$ (42,560)	\$ 364,556

(Concluded)

City of DeRidder, Louisiana

Schedule 2

Sales Tax Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amount Budgetary Basis	Budget to GAAP differences over(under)	Actual Amount GAAP Basis
	Original	Final			
Revenues					
Taxes:					
Sales	\$ 3,867,000	\$ 4,185,000	\$ 4,145,797	\$ (39,203)	\$ 4,145,797
Investment income	18,000	20,000	23,667	3,667	23,667
Other revenues	12,907	12,742	13,093	351	13,093
Total revenues	<u>\$ 3,897,907</u>	<u>\$ 4,217,742</u>	<u>\$ 4,182,557</u>	<u>\$ (35,185)</u>	<u>\$ 4,182,557</u>
Expenditures					
General government	\$ 656,843	\$ 670,943	\$ 680,592	\$ (9,649)	\$ 680,592
Public works	925,172	809,272	870,517	(61,245)	870,517
Capital outlay	79,500	51,200	74,377	(23,177)	74,377
Total expenditures	<u>\$ 1,661,515</u>	<u>\$ 1,531,415</u>	<u>\$ 1,625,486</u>	<u>\$ (94,071)</u>	<u>\$ 1,625,486</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,236,392</u>	<u>\$ 2,686,327</u>	<u>\$ 2,557,071</u>	<u>\$ (129,256)</u>	<u>\$ 2,557,071</u>
Other financing sources (uses):					
Transfers in	\$ 175,000	\$ 176,500	\$ 187,675	\$ 11,175	\$ 187,675
Transfers out	(2,129,597)	(2,205,597)	(2,205,525)	72	(2,205,525)
Gain on sale of assets	2,000	4,200	4,225	25	4,225
Total other financing sources (uses)	<u>\$ (1,952,597)</u>	<u>\$ (2,024,897)</u>	<u>\$ (2,013,625)</u>	<u>\$ 11,272</u>	<u>\$ (2,013,625)</u>
Net change in fund balance	<u>\$ 283,795</u>	<u>\$ 661,430</u>	<u>\$ 543,446</u>	<u>\$ (117,984)</u>	<u>\$ 543,446</u>
Fund balances at beginning of year	<u>1,524,991</u>	<u>1,524,991</u>	<u>1,524,991</u>	<u>-</u>	<u>1,524,991</u>
Fund balances at end of year	<u>\$ 1,808,786</u>	<u>\$ 2,186,421</u>	<u>\$ 2,068,437</u>	<u>\$ (117,984)</u>	<u>\$ 2,068,437</u>

OTHER SUPPLEMENTAL INFORMATION

City of DeRidder, Louisiana

Nonmajor Funds

CAPITAL PROJECTS FUNDS

Street Construction - to account for the construction and further improvements of certain streets within the City limits for general purpose use.

Historical Enhancement Fund – to account for funds used in the development and maintenance of the historic district in downtown DeRidder.

2003 LCDBG Water Improvement Project – to account for funds provided by LCDBG (Louisiana Community Development Block Grant) for upgrades to the City's water system.

2002 LCDBG Water Well Project – to account for funds provided by LCDBG (Louisiana Community Development Block Grant) for the new water well project.

SPECIAL REVENUE FUND

Section - 8 Existing Housing - to account for the revenue and expenditures of the federal Section - 8 Housing programs as required by federal regulations.

DEBT SERVICE FUNDS

Street Improvement Assessment Funds (Phase 5 Street Improvements; Phase 6 & 7 Street Improvements; Contingency Fund for Street Improvements) - to account for the costs of paving streets in certain areas (districts) within the City.

Certificates of Indebtedness, Series 1997 and 2001 - to accumulate monies for payment of the 1997, \$1,320,000 and the 2001, \$250,000 certificates of indebtedness respectively at an interest rate of 5.50% and 4.50% respectively.

City of DeRidder, Louisiana

Schedule 3

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2004

	Capital Projects				Special Revenue		Debt Service			Total
	Street Construction J	Historical Enhancement Fund	2002 LCDBG Water Well Project	2003 LCDBG Water Improvements Project	Section 8 Housing	Special Assessment #5	Special Assessment #6 & 7	Special Assessment Contingency Fund	Debt Service	
Assets										
Cash in Bank	\$ 721,481	\$ 8,341	\$ 590	\$ 5	\$ 92,376	\$ 3,057	\$ 5,135	\$ 231	\$ 48,028	\$ 879,244
Accounts Receivable	-	-	-	167,784	-	13,954	7,735	-	-	189,473
Accrued interest	-	-	-	-	-	11,126	9,613	-	-	20,739
Due from S A 5, 6 & 7	-	-	-	-	-	-	-	27,301	-	27,301
Due from other funds	-	-	-	156,642	-	-	-	-	-	156,642
Total Assets	\$ 721,481	\$ 8,341	\$ 590	\$ 324,431	\$ 92,376	\$ 28,137	\$ 22,483	\$ 27,532	\$ 48,028	\$ 1,273,399
Liabilities and Equity										
Liabilities										
Contracts Payable	\$ -	\$ -	\$ 2,426	\$ 324,426	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,852
HUD	-	-	-	-	4,138	-	-	-	-	4,138
Other accrued liabilities	-	-	-	-	156	-	-	-	-	156
Due to WW Capital Additions	-	-	5	-	-	-	-	-	-	5
Due to other funds	-	-	-	5	-	-	-	-	-	5
Due to contingency	-	-	-	-	-	5,438	21,863	-	-	27,301
Total Liabilities	\$ -	\$ -	\$ 2,431	\$ 324,431	\$ 4,294	\$ 5,438	\$ 21,863	\$ -	\$ -	\$ 358,457
Equity										
Reserve for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,699	\$ 620	\$ 27,532	\$ -	\$ 50,851
Reserve for cert of indebt	-	-	-	-	-	-	-	-	48,028	48,028
Unreserved/Undesignated	721,481	8,341	(1,841)	-	88,082	-	-	-	-	816,063
Total Equity	\$ 721,481	\$ 8,341	\$ (1,841)	\$ -	\$ 88,082	\$ 22,699	\$ 620	\$ 27,532	\$ 48,028	\$ 914,942
Total Liabilities and Equity	\$ 721,481	\$ 8,341	\$ 590	\$ 324,431	\$ 92,376	\$ 28,137	\$ 22,483	\$ 27,532	\$ 48,028	\$ 1,273,399

City of DeRidder, Louisiana

Schedule 4

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended September 30, 2004

	Capital Projects				Special Revenue	Debt Service				Total
	Street Construction J	Historical Enhancement Fund	2002 LCDBG Water Well Project	2003 LCDBG Water Improvements Project	Section 8 Housing	Special Assessment #5	Special Assessment #6 & 7	Special Assessment Contingency Fund	Debt Service	
Revenues										
Transfers in	\$ 400,000	\$ -	\$ 32,100	\$ 188,026	\$ -	\$ -	\$ -	\$ -	\$ 248,808	\$ 868,934
Interest	4,544	-	-	-	1,083	40	57	3	1,975	7,702
Donations	-	5,696	-	-	-	-	-	-	-	5,696
Intergovernmental	-	-	-	-	130,258	-	-	-	-	130,258
Water well	-	-	192,132	-	-	-	-	-	-	192,132
Water improvements	-	-	-	500,000	-	-	-	-	-	500,000
Total Revenues	\$ 404,544	\$ 5,696	\$ 224,232	\$ 688,026	\$ 131,341	\$ 40	\$ 57	\$ 3	\$ 250,783	\$ 1,704,722
Expenses										
Construction contracts	\$ 46,051	\$ -	\$ 191,547	\$ 593,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 831,111
Engineering & other	5,502	-	22,229	63,535	-	-	-	-	-	91,266
Other	-	11,724	-	-	-	-	-	-	-	11,724
Administrative	-	-	12,297	30,978	-	-	-	-	-	43,275
Principal	-	-	-	-	-	-	-	-	205,000	205,000
Interest	-	-	-	-	-	-	-	-	40,800	40,800
Transfers out	-	-	-	-	-	-	-	-	166,558	166,558
Operating	-	-	-	-	126,091	-	-	-	-	126,091
Total Expenses	\$ 51,553	\$ 11,724	\$ 226,073	\$ 688,026	\$ 126,091	\$ -	\$ -	\$ -	\$ 412,358	\$ 1,515,825
Net income (loss)	\$ 352,991	\$ (6,028)	\$ (1,841)	\$ -	\$ 5,250	\$ 40	\$ 57	\$ 3	\$ (161,575)	\$ 188,897

Schedule of Compensation of Board Members
For the Fiscal Year Ended September 30, 2004

Vincent Labue (President)	\$	7,200
Estella Scott (Vice President)		7,200
Hayward Steele		7,200
Johnnie Mango		7,200
Kerry Anderson		7,200
Collowyn Hodnett		7,200
Gordon Jenkins		<u>7,200</u>
	\$	<u>50,400</u>

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
United States Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant/ State's Program		
Passed through Louisiana		
Division of Administration:		
2002 LCDBG Water Well Project	14.228	\$ 191,547
2003 LCDBG Water Improvement Project		500,000
United States Department of Justice		
Direct programs:		
Local Law Enforcement Block Grant Program		
Passed through Louisiana		
Commission on Law Enforcement:	16.592	<u>3,598</u>
Total Expenditures of Federal Awards		<u>\$ 695,145</u>

OTHER REPORTS

Status of Prior Year Audit Findings
Year Ended September 30, 2004

Auditing Finding No. 1

Initial occurrence – September 30, 2003

Purchasing

Finding:

The City has not followed its purchasing policy during the year. Numerous purchase orders were found to be dated after the corresponding invoice date. On one occasion, an invoice that had been paid was put on the city council meeting agenda to be paid again. Invoices that are submitted to the finance department for payment do not always have the corresponding purchase order attached and are sent back to the purchasing department for correction. There is a lack of control over purchase orders, too many city hall employees have access to blank purchase orders. The city has a purchasing program set up on it's computer system but it is not always used leading to errors when hand written purchase orders are incorrectly entered into the computer or not entered at all.

Corrective action taken – Yes

John A. Windham, CPA

A Professional Corporation

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DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Gerald Johnson, Mayor
and the Members of the City Council
City of DeRidder, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of DeRidder, Louisiana, as of and for the year ended September 30, 2004, which collectively comprise the City of DeRidder, Louisiana's basic financial statements and have issued my report thereon dated January 28, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of DeRidder, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of DeRidder, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

The Honorable Gerald Johnson, Mayor
City of DeRidder, Louisiana
Page 2

This report is intended solely for the information and use of management, others within the organization, the City Council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

John D. Windham, CPA

DeRidder, Louisiana
January 28, 2005

John A. Windham, CPA

A Professional Corporation

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DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Gerald Johnson, Mayor
And Members of the City Council
City of DeRidder, State of Louisiana

Compliance

I have audited the compliance of the City of DeRidder, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. City of DeRidder, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of DeRidder, Louisiana's management. My responsibility is to express an opinion on the City of DeRidder, Louisiana's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of DeRidder, Louisiana's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of DeRidder, Louisiana's compliance with those requirements.

In my opinion, the City of DeRidder, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the City of DeRidder, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the City of DeRidder, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "John D. Windham, CPA". The signature is written in a cursive, flowing style.

DeRidder, Louisiana
January 28, 2004

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2004

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of DeRidder, Louisiana.
2. No instances of noncompliance material to the financial statements of the City of DeRidder, Louisiana were disclosed during the audit.
3. The auditor's report on compliance for the major federal award program for the City of DeRidder, Louisiana expresses an unqualified opinion on its major federal program.
4. The program tested as a major program is included: Department of Housing and Urban Development, Community Development Block Grants/State's Program; CFDA No. 14.228.
5. The threshold for distinguishing Types A and B programs was \$300,000.